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Legislative District 11  
Baltimore County

Chair, Rules Committee  
Budget and Taxation Committee

*Subcommittees*  
Capital Budget  
Health and Human Services  
Chair, Pensions

*Joint Committees*  
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**THE SENATE OF MARYLAND**  
ANNAPOLIS, MARYLAND 21401

**TESTIMONY OF SENATOR SHELLY HETTLEMAN**  
**SB92 ELECTRIC COMPANY CONTRACTS, CAPACITY MARKET MODELS, AND**  
**REGIONAL TRANSMISSION ORGANIZATIONS – STUDIES**

In 2024, PJM Interconnection's 2025–26 capacity auction resulted in an 800% price increase, raising total capacity costs from roughly \$2 billion to over \$14 billion in 2025. PJM attributed the record-shattering costs to the closure of multiple power plants and the opening of multiple data centers. Regardless of the causes, the effects are clear: Marylanders are paying *significantly* more on their monthly energy bills, with rates *increasing* rather than decreasing this year. Enough is enough.

Senate Bill 92 is not the answer, but it asks the right questions. The bill would require comprehensive studies on Maryland's participation in PJM Interconnection and alternative approaches to ensuring reliable, affordable electricity for our state's residents and businesses. Let me be clear: this bill does not presume that Maryland will, or even *should*, withdraw from PJM. Rather, it recognizes that we need rigorous, fact-based analyses of our options in the face of significant concerns about rising electricity costs and PJM's unresponsiveness to state energy policies. We owe it to our constituents to thoroughly examine whether alternative approaches might better serve their interests while maintaining grid reliability.

The studies mandated by this bill would explore several critical pathways. First, the bill directs the Public Service Commission and Maryland Energy Administration to examine whether requiring electric companies to contract for at least 80% of their load-serving capacity over a 5-year period would provide greater cost stability and predictability for ratepayers. This approach would shift the primary mechanism for securing electricity supply away from volatile capacity auctions and toward bilateral contracts negotiated directly between utilities and generators. These contracts can lock in prices over longer terms, thereby insulating consumers from market volatility, while providing generators with the revenue certainly needed to invest in new capacity.

Importantly, this model does not eliminate participation in capacity markets. Rather, it would allow utilities to meet the bulk of their obligations through contracted resources, turning to the capacity auction only for the remaining portion of their needs. This

approach maintains access to the broader PJM market, while reducing exposure to auction price spikes that have driven rate increases.

The bill also directs study of the fixed resource requirement alternative, which PJM already permits as an option for load-serving entities. Under this mechanism, Maryland could potentially coordinate with neighboring states to secure capacity through our own processes rather than relying exclusively on PJM's centralized auction. This multistate compact approach could give participating states greater control over resource procurement, while still maintaining the benefits of regional coordination and grid reliability that PJM provides.

These studies are not theoretical exercises. They represent a serious examination of real alternatives that could materially improve affordability for Maryland families and businesses, while advancing our clean energy goals. The current system is broken and unresponsive to state policy priorities, and ratepayers deserve to know whether better options exist. Thank you for your consideration of Senate Bill 92.